

The Outlook for the U.S. Livestock and Poultry Sector

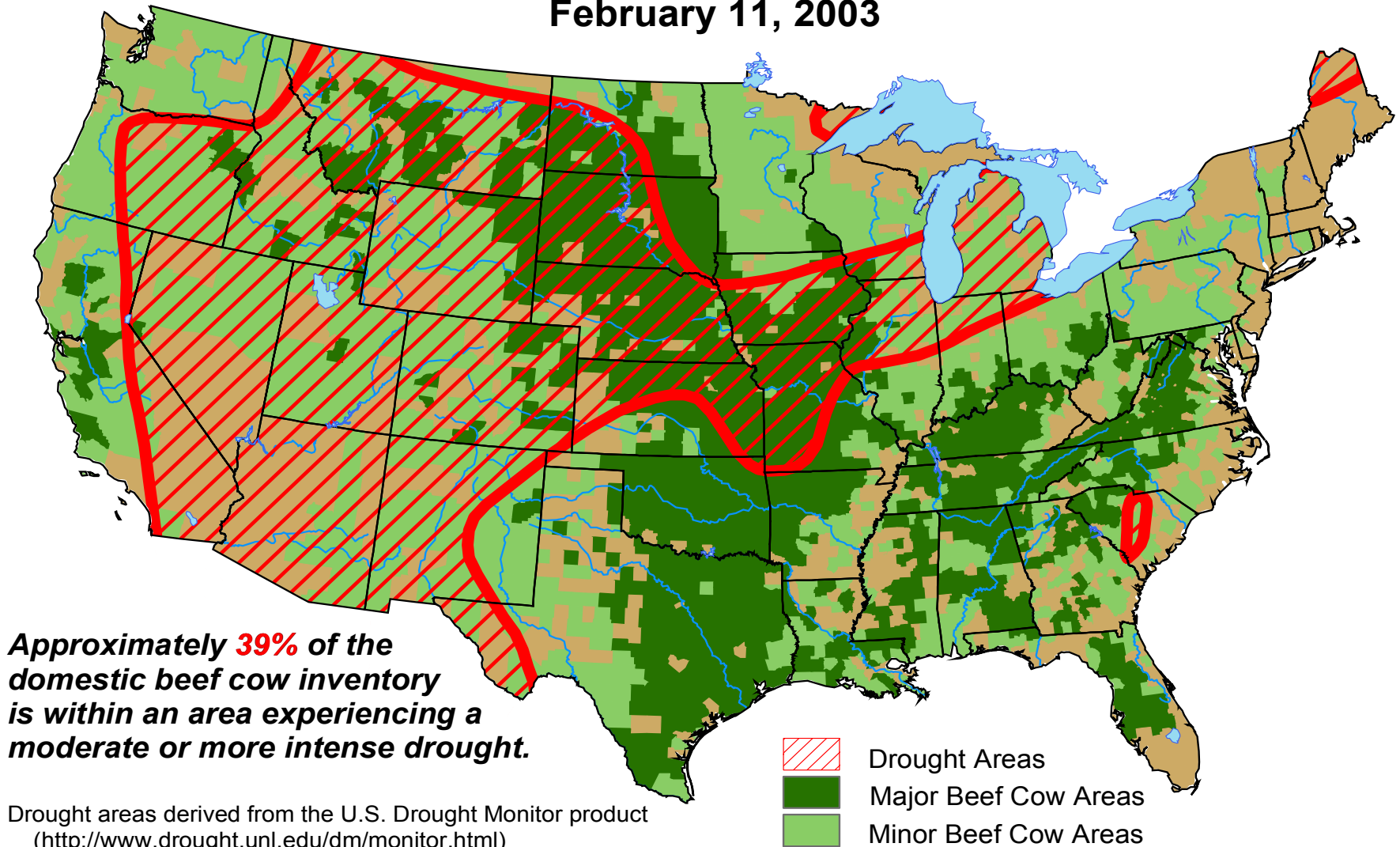
**USDA Outlook Forum
Washington, D.C.
February 21, 2003**

Some Key Factors to Watch This Year

- **Feed costs are expected to remain relatively high.**
- **Forage supplies are currently stressed**
 - **Hay stocks are low.**
 - **Drought is extending.**

U.S. Beef Cow Areas Experiencing Drought

February 11, 2003



World Agricultural Outlook Board

Some Key Factors to Watch This Year

- **Feed costs are expected to remain relatively high.**
- **Forage supplies are currently stressed.**
 - Hay stocks are low.
 - Drought is extending.
- **Food safety and health issues will gain increasing importance among U.S. and foreign consumers.**
- **Country of Origin Labeling requirements could affect producer decisions in 2003.**
 - Final regulations not completed yet.
 - Animal biology requires lead times.

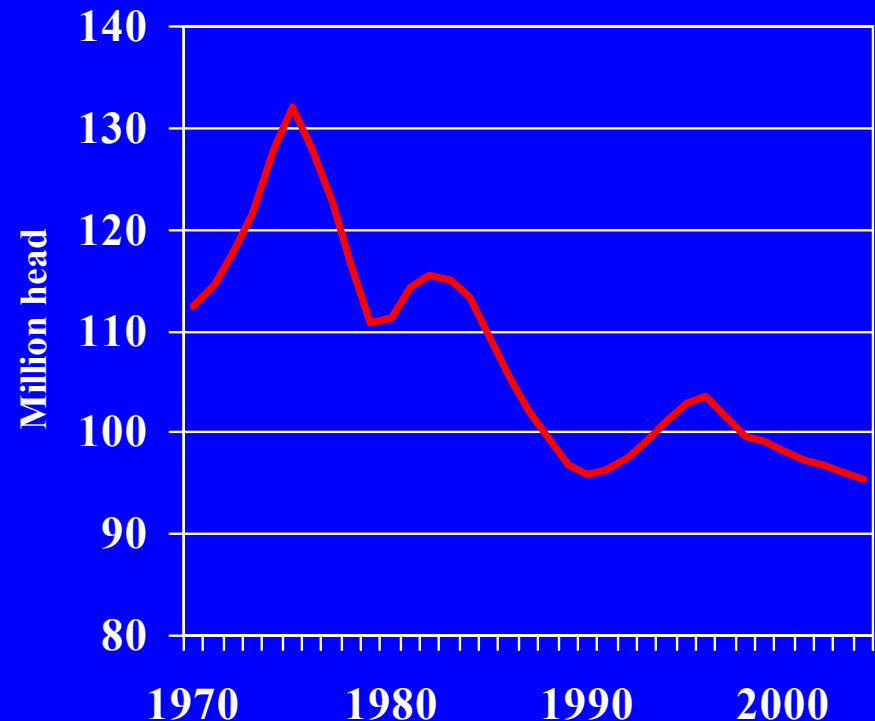
Meat Production To Decline in 2003

- **Red meat production to fall 2-3 percent.**
 - **Beef declines 4-5 percent.**
 - **Pork falls 1-2 percent.**
 - **Lamb and mutton falls 5 percent**
- **Poultry production virtually unchanged.**
 - **Broiler meat increases less than 1 percent.**
 - **Turkey about unchanged.**

Cattle Liquidation Extends into 2003

- **January 1, 2003 cattle inventory declined 1 percent to 96.1 million head.**
- **Inventory to fall below 95.5 million by end of 2003.**
- **Upturn in January inventory is not likely until 2006.**

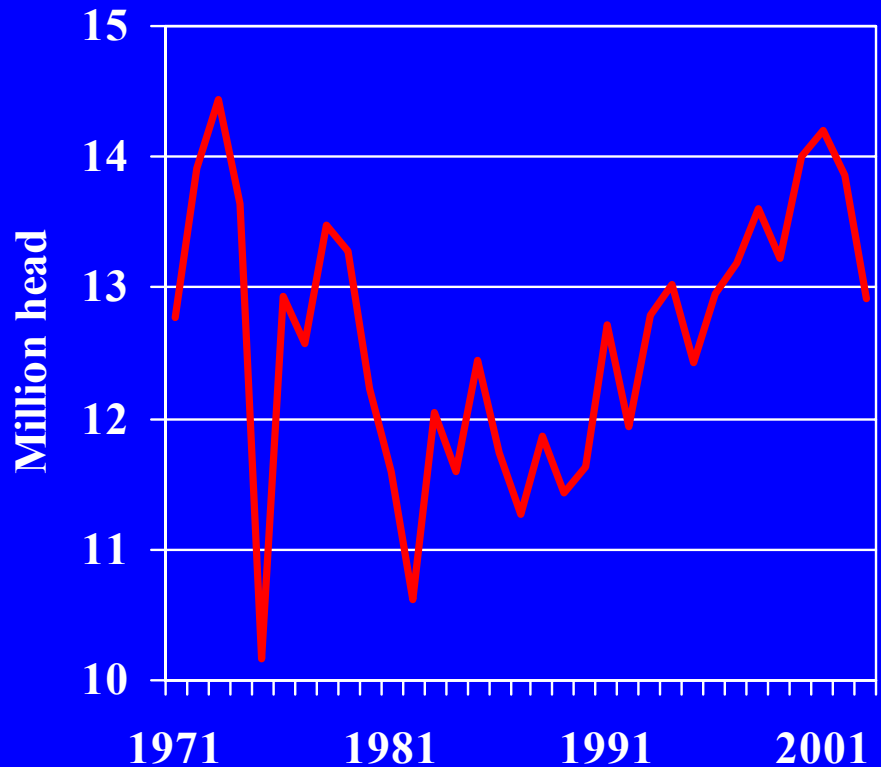
**Cattle Inventory on
January 1**



Indications of Beef Production Declines Ahead

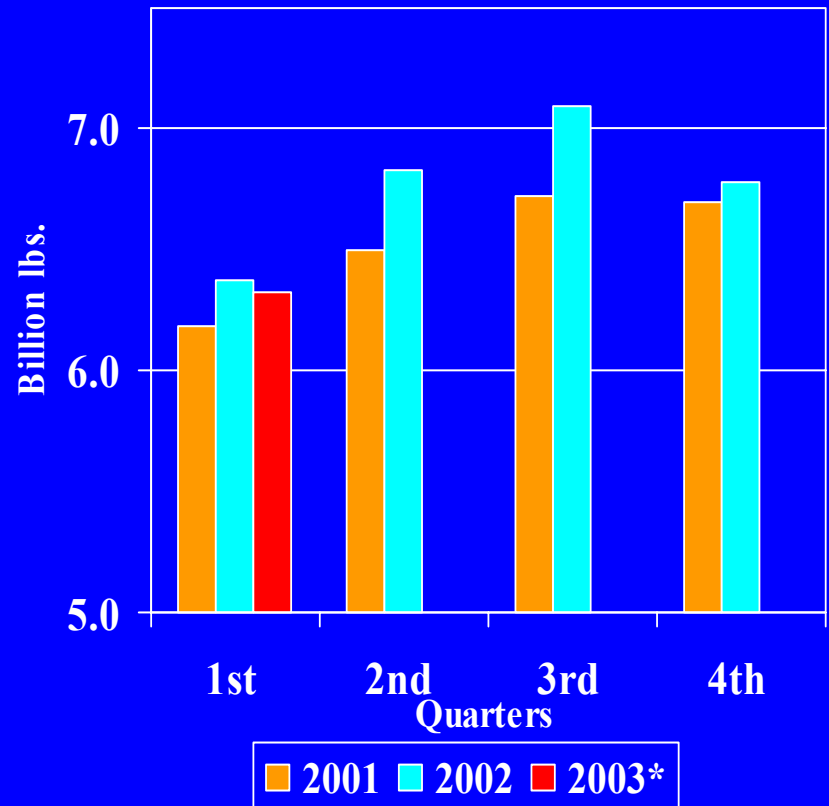
- **January 1, 2003 U.S. total cattle on feed number fell to 12.9 million head.**
- **Producers are planning to hold back more heifers**
 - **Beef heifers intended for replacement 1 percent higher.**
 - **Beef heifers expected to calve up 3 percent.**

US Total Cattle on Feed



Beef Production in 2003 to Fall to 25.9 Billion Pounds

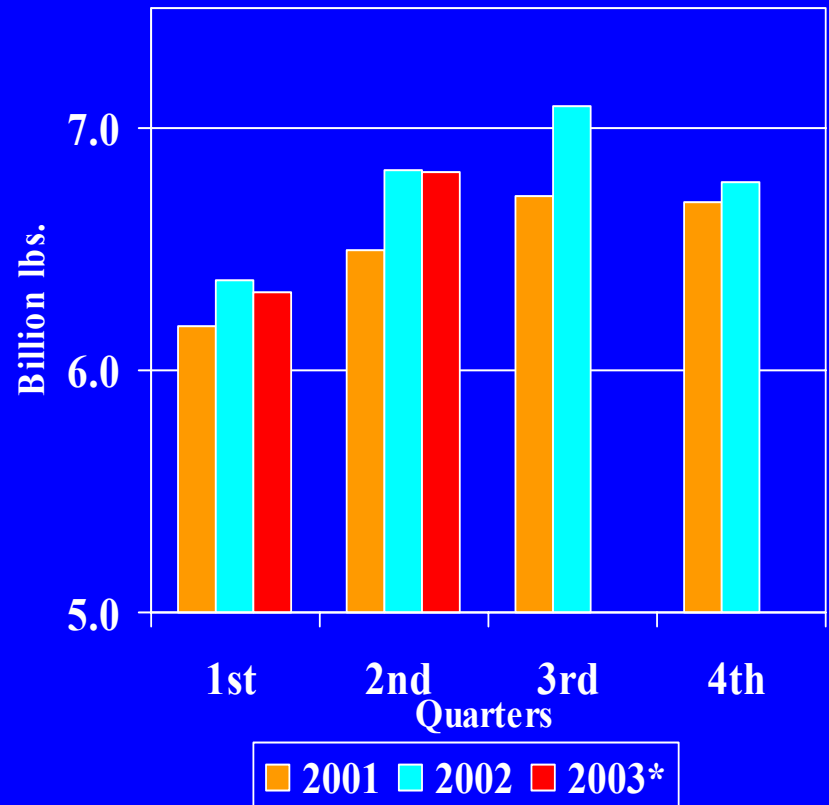
- First quarter production falls below year earlier.
 - Decline mitigated by relatively high cow slaughter.



*Forecast

Beef Production in 2003 to Fall to 25.9 Billion Pounds

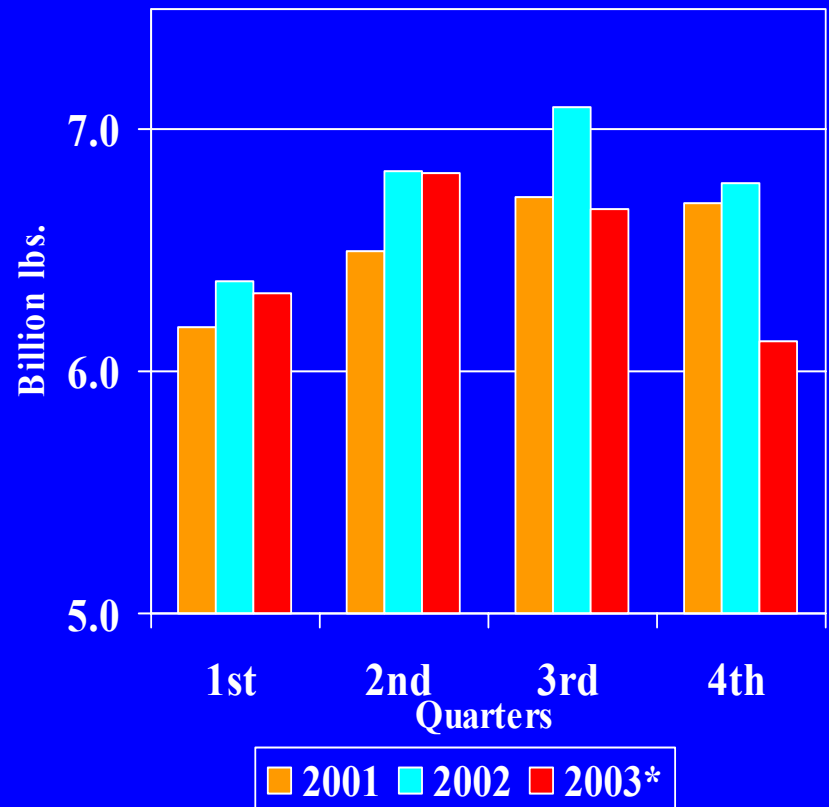
- **First quarter production falls below year earlier.**
 - Decline mitigated by relatively high cow slaughter.
- **Second quarter production flattens out.**
 - Late 2002 placements marketed.
 - Cow slaughter remains relatively large.



*Forecast

Beef Production in 2003 to Fall to 25.9 Billion Pounds

- **First quarter production falls below year earlier.**
 - Decline mitigated by relatively high cow slaughter.
- **Second quarter production flattens out.**
 - Late 2002 placements marketed
 - Cow slaughter remains relatively large.
- **Third and fourth quarter production drops sharply.**
 - Lower on-feed inventories.
 - Breeding herd retention.

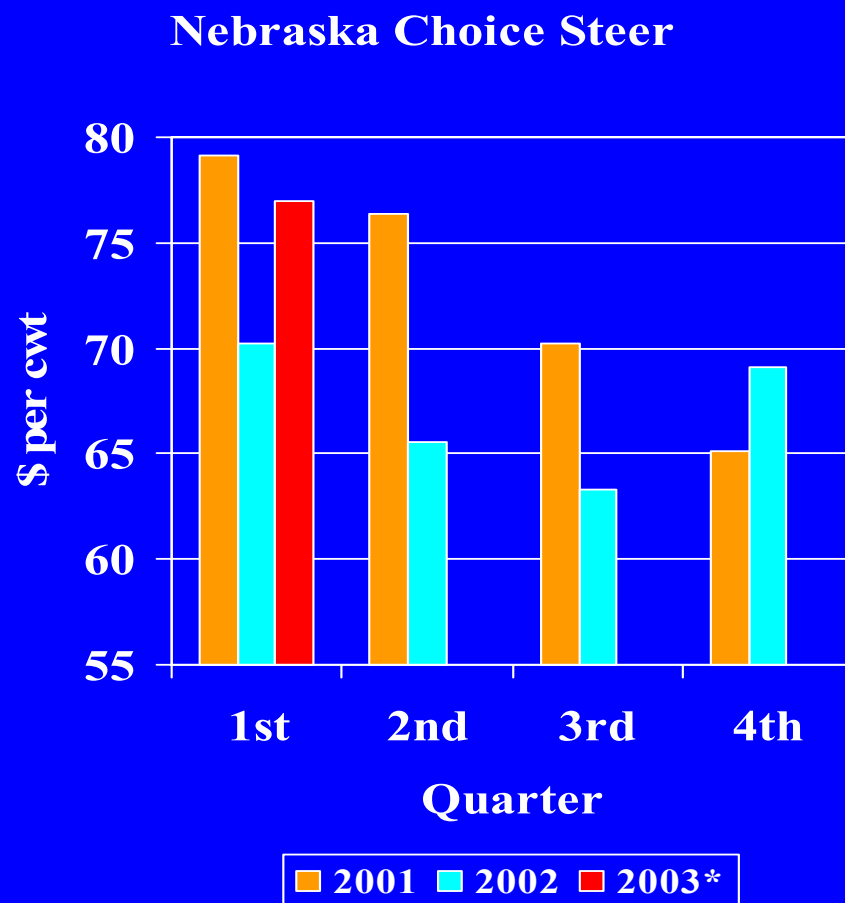


*Forecast

Cattle Prices Will Average \$73-77 per cwt

Tightening supplies will lift cattle prices.

- **First quarter will average \$75-78.**
 - Prices may have peaked early on weather concerns.

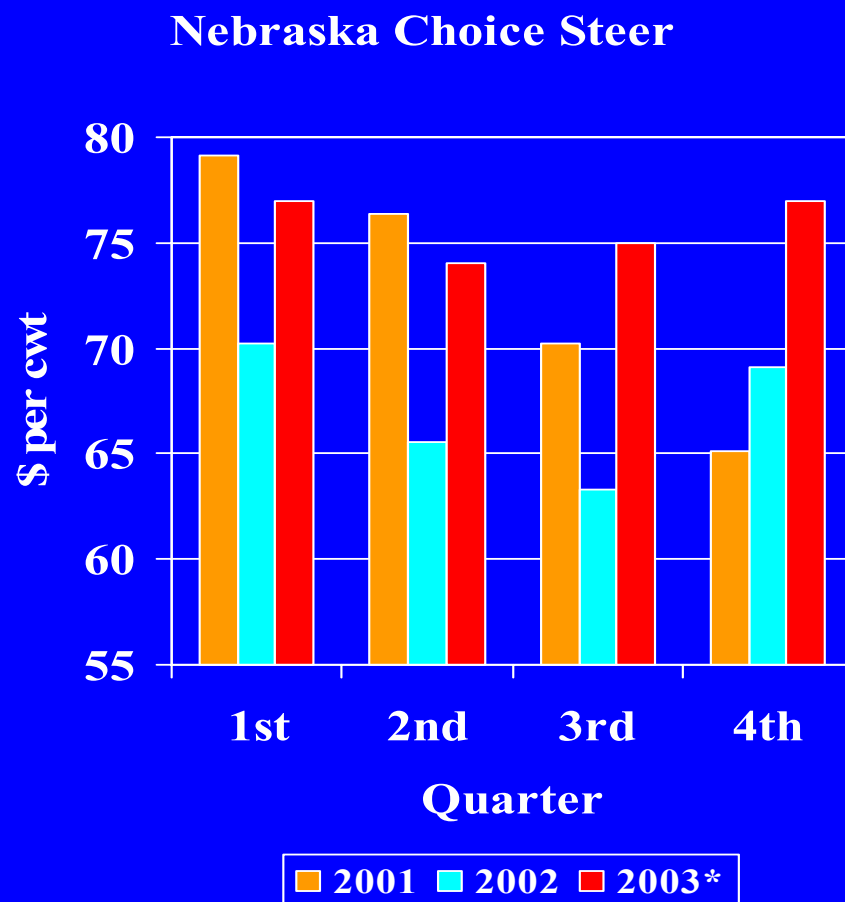


*Forecast

Cattle Prices Will Average \$73-77 per cwt

Tightening supplies will lift cattle prices.

- **First quarter will average \$75-78.**
 - Prices may have peaked early on weather concerns.
- **Remaining quarters may see prices \$9-12 higher than year earlier.**
 - Beef supplies lower.
 - Other meat supplies tight.

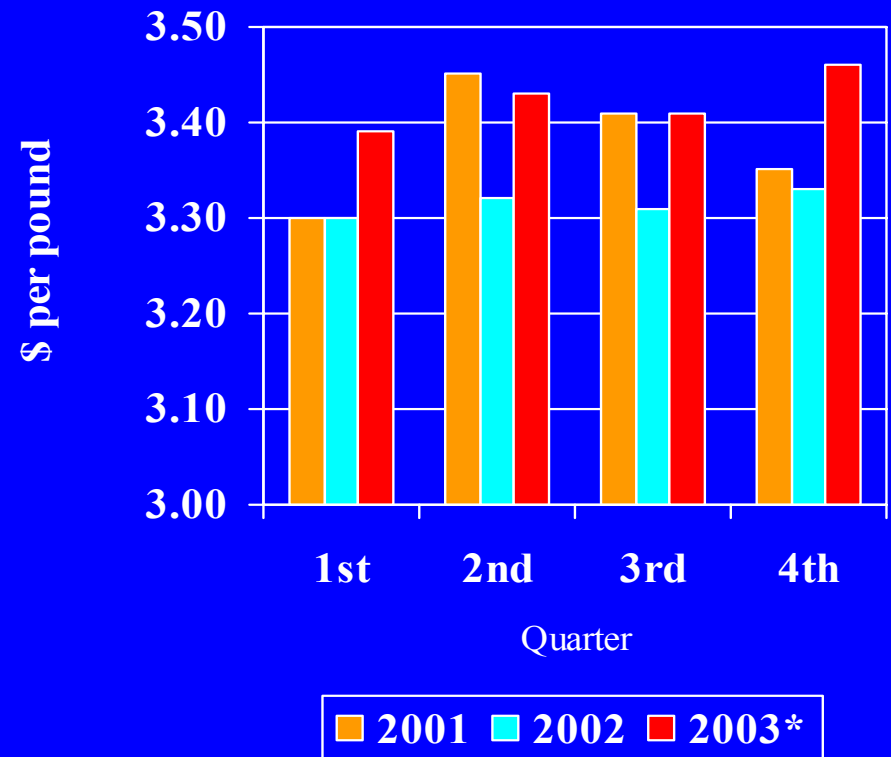


*Forecast

Retail Beef Prices Will Reach Record Levels

- Consumer demand for Choice beef has remained relatively firm.
- Average retail beef prices are expected to exceed 2002 in each quarter.
- Fourth quarter prices could exceed records of spring 2001 as supplies are tightest.

ERS Retail Choice Beef Price



*Estimated

Beef Trade to Rise Slightly in 2003

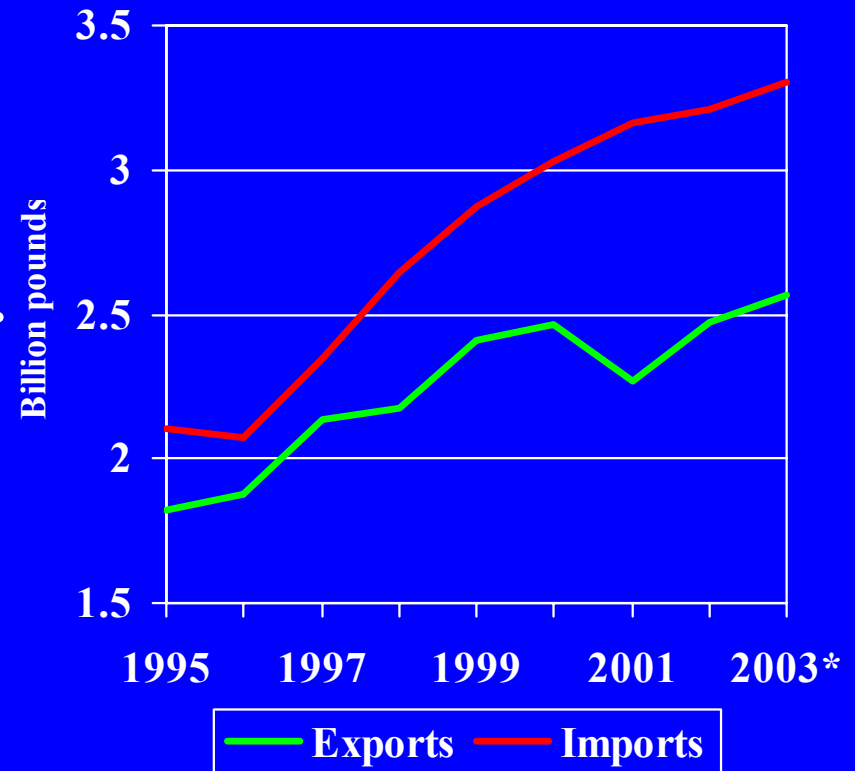
- Beef imports in 2002 reached record 3.2 billion pounds.
- 2003 imports will increase 3 percent to 3.3 billion pounds.



*Forecast

Beef Trade to Rise Slightly in 2003

- Beef imports in 2002 reached record 3.2 billion pounds.
- 2003 imports will increase 3 percent to 3.3 billion pounds.
- **Beef exports reached 2.5 billion pounds in 2002.**
- **2003 exports are forecast to increase about 3-4 percent to 2.6 billion pounds.**

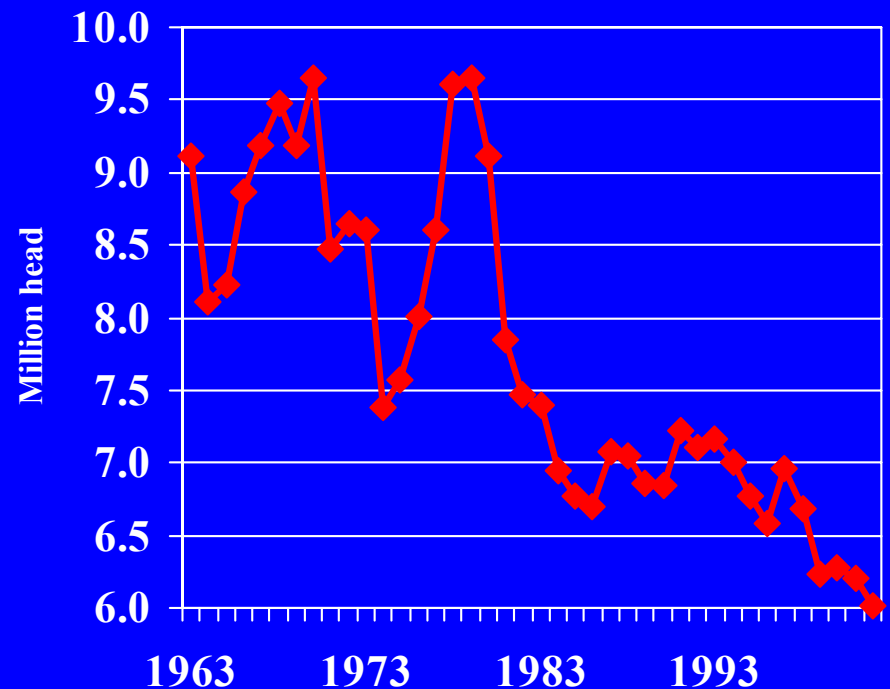


*Forecast

Pork Production Set to Decline in 2003

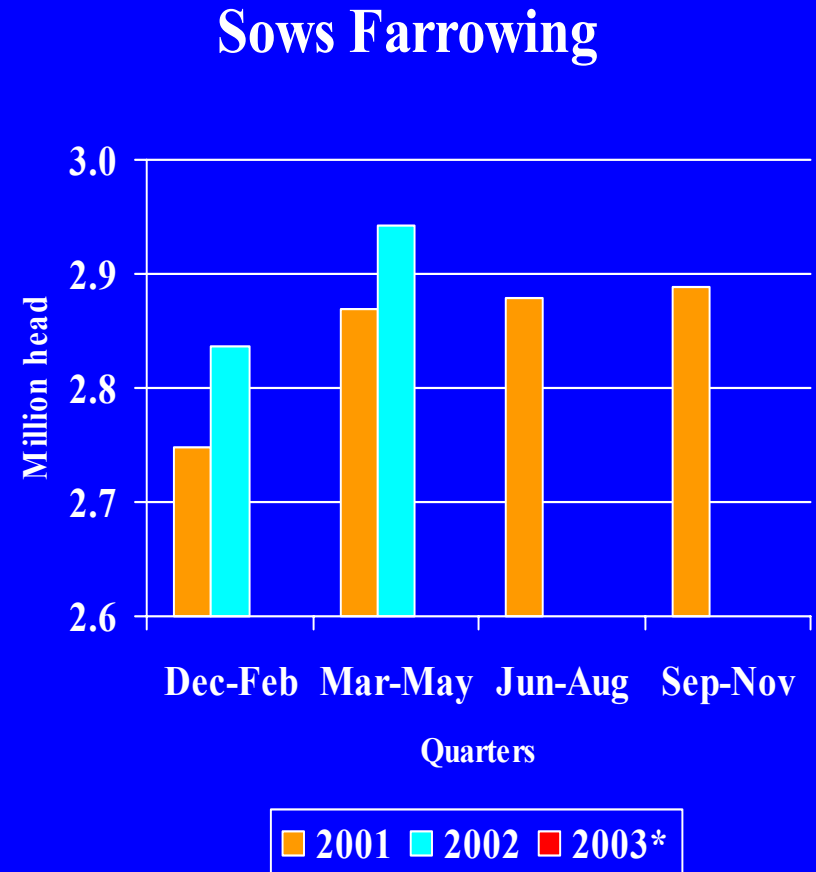
- The December 1, 2002 inventory of pigs kept for breeding fell 3 percent to 6.0 million head after increasing in first half 2002.

Pigs Kept for Breeding - U.S.



Pork Production Increase Halted Abruptly

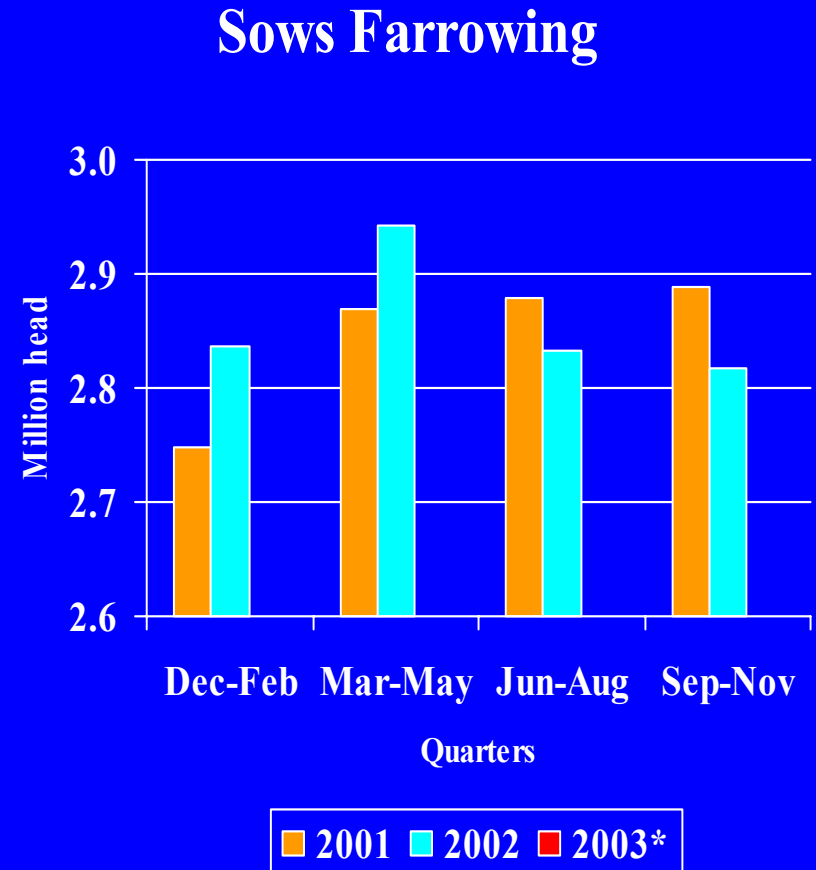
- Producers farrowed 3 percent more sows in first half of 2002.



*Intentions/Forecast

Pork Production Increase Halted Abruptly

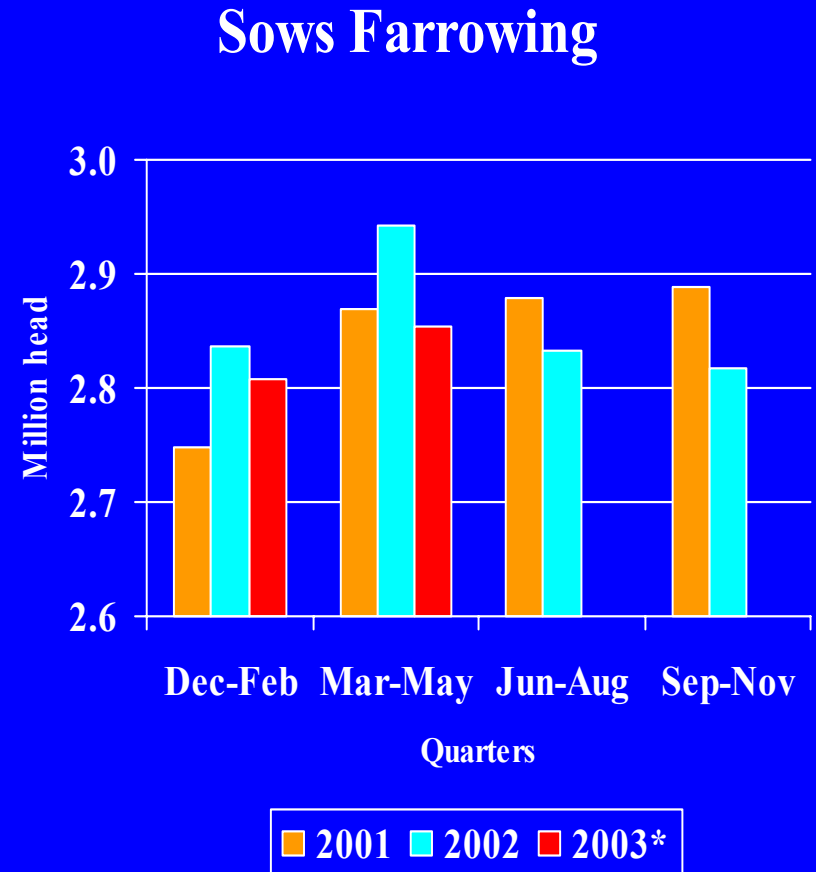
- Producers farrowed 3 percent more sows in first half of 2002.
- Second half farrowings declined 2 percent.



*Intentions/Forecast

Pork Production Increase Halted Abruptly

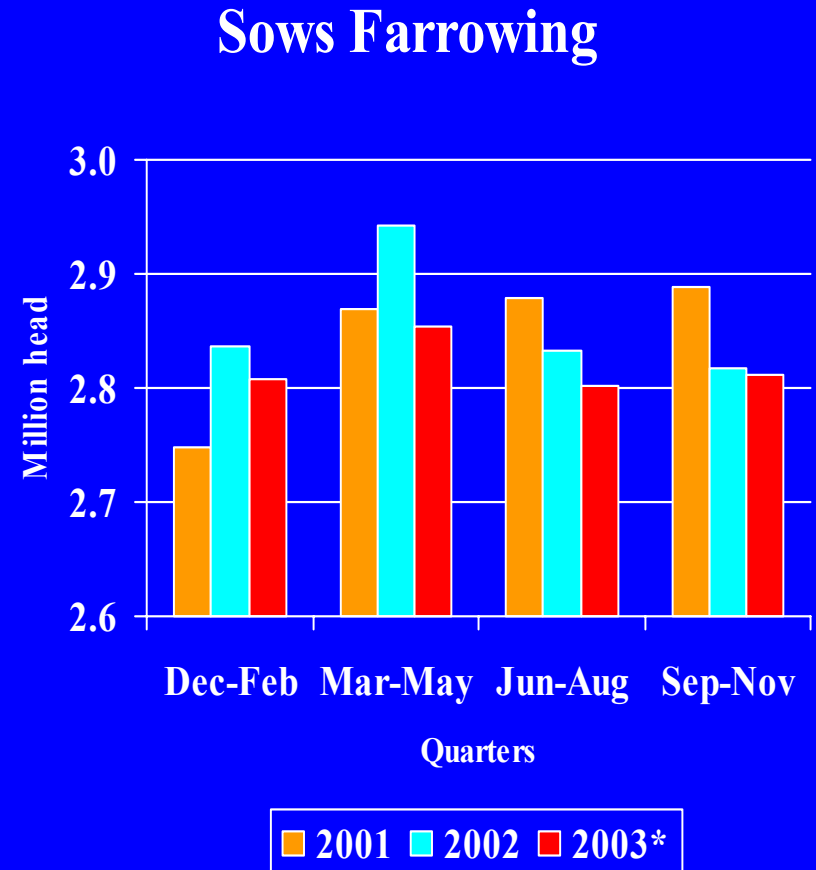
- Producers farrowed 3 percent more sows in first half of 2002.
- Second half farrowings declined 2 percent.
- **First half 2003 intentions down 1.5 percent.**



*Intentions/Forecast

Pork Production Increase Halted Abruptly

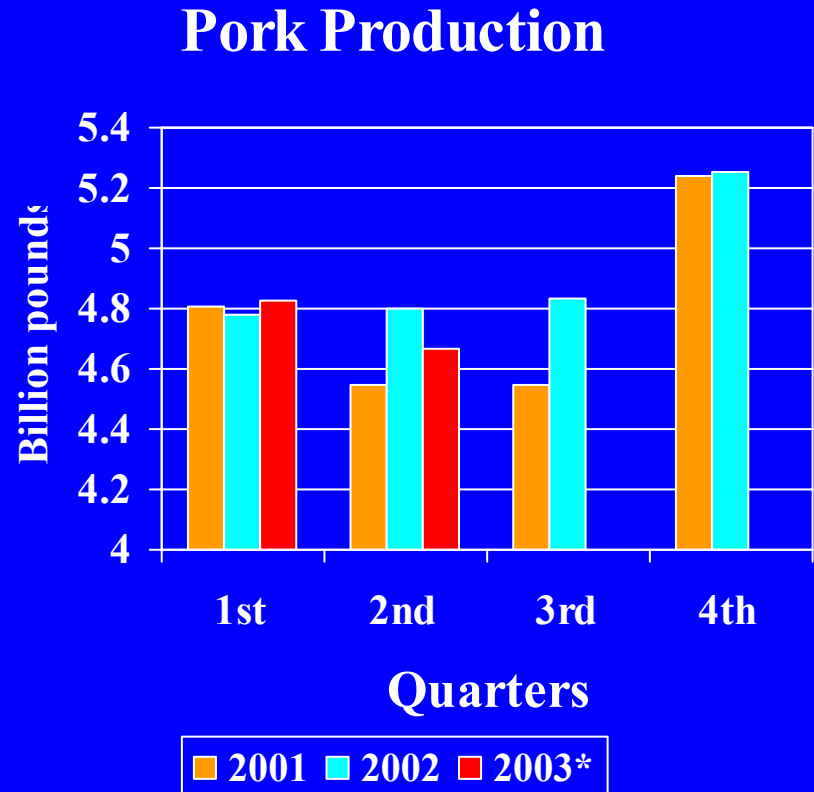
- Producers farrowed 3 percent more sows in first half of 2002.
- Second half farrowings declined 2 percent.
- First half 2003 intentions down 1.5 percent.
 - **Expansion unlikely before 2004.**



*Intentions/Forecast

Pork Production Expected to Fall From 2002 Record

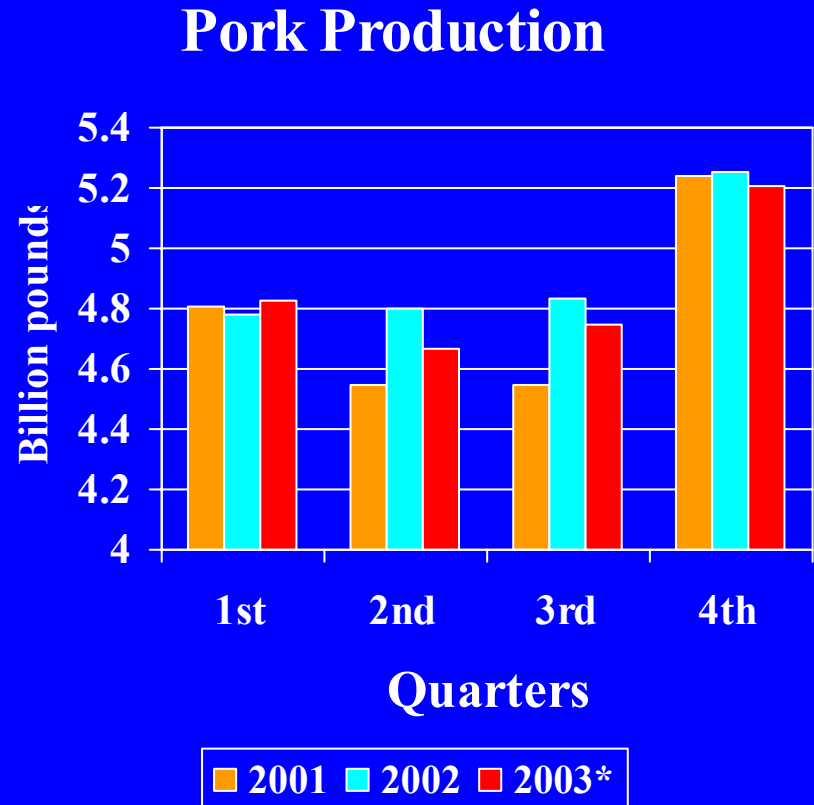
- 2002 production was a record 19.7 billion pounds.
- 2003 production is forecast to decline 1-2 percent to 19.5 billion pounds in 2003.
- **First half production down 1 percent as production exceeds year earlier in first quarter.**



*Forecast

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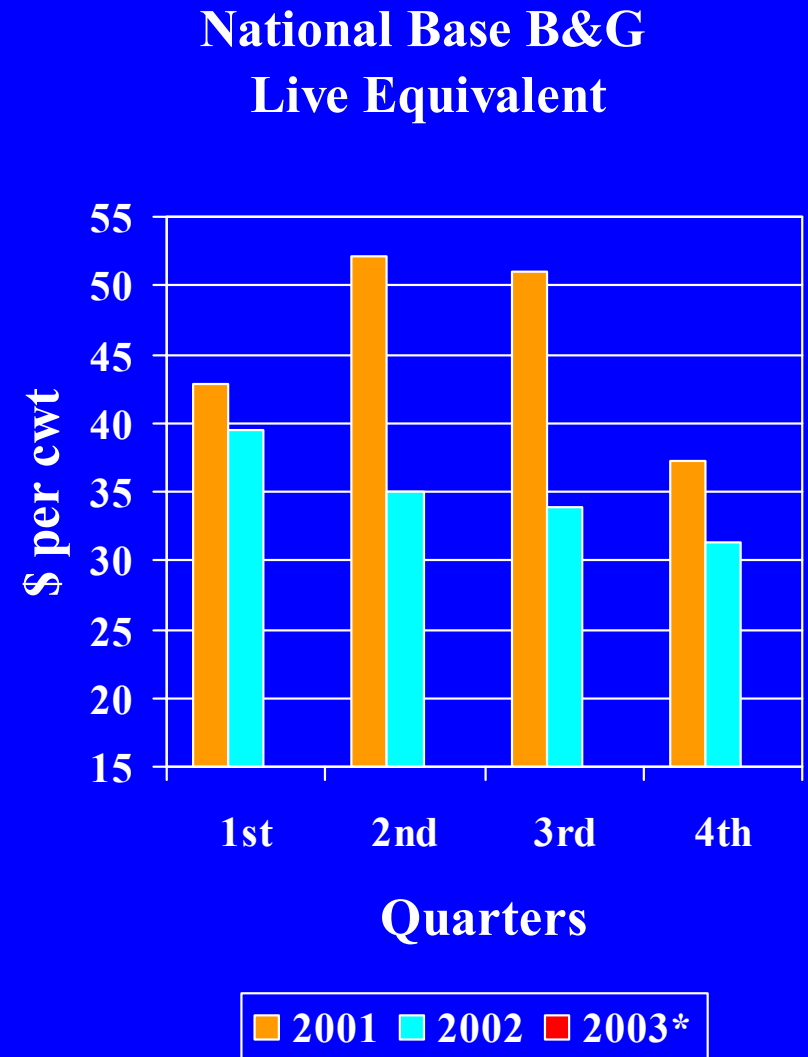
- 2002 production was a record 19.7 billion pounds.
- 2003 production is forecast to decline 1-2 percent to 19.5 billion pounds in 2003.
- First half production down 1 percent as production exceeds year earlier in first quarter.
- **Second half production down 1-2 percent.**
 - Lower slaughter partly offset by higher weights.



*Forecast

Hog Prices Slightly Higher in 2003

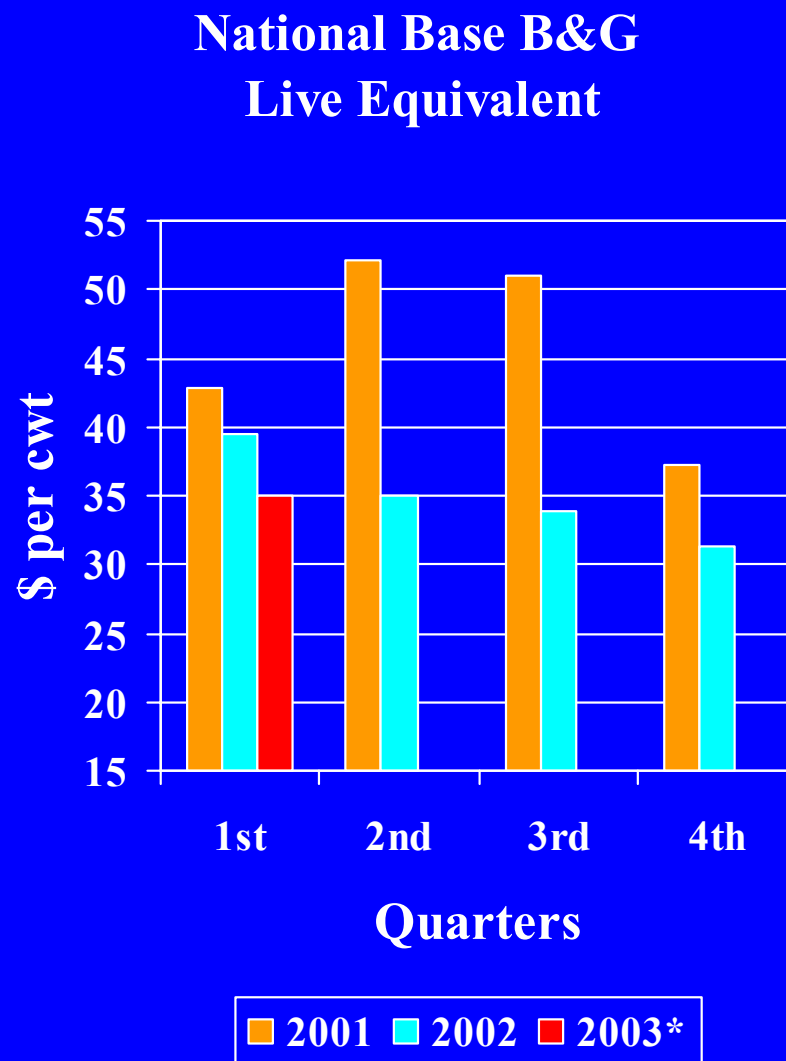
- Hog prices declined to \$35 per cwt in 2002, as large meat supplies overhung market.



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Hog Prices Slightly Higher in 2003

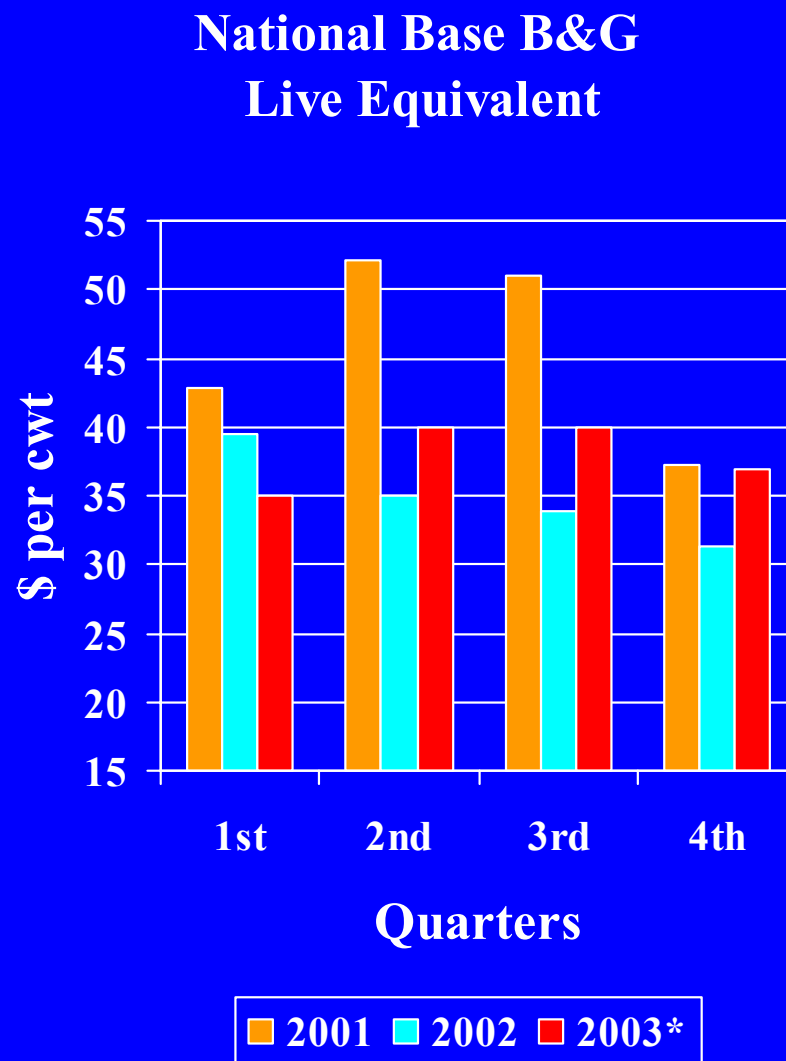
- Hog prices declined to \$35 per cwt in 2002, as large meat supplies overhung market.
- First quarter 2003 price expected to decline to \$34-36 per cwt.



*Forecast

Hog Prices Slightly Higher in 2003

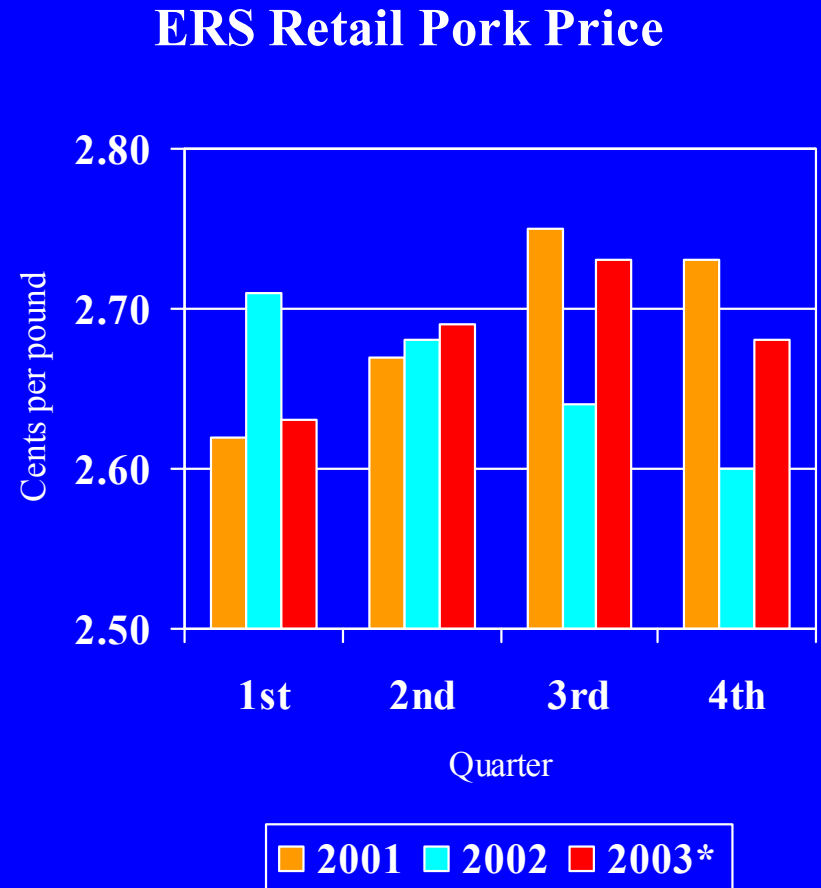
- Hog prices declined to \$35 per cwt in 2002, as large meat supplies overhung market.
- First quarter 2003 prices expected to decline to \$39-41 per cwt.
- Remaining quarters will average \$40 before declining seasonally.



*Forecast

Higher Retail Pork Prices in 2003

- Retail prices are expected to be above last year's level of \$2.66 per pound but just below 2001's record.
- There has been surprising wholesale weakness despite high beef prices.
- Tighter red meat will likely help support pork prices.

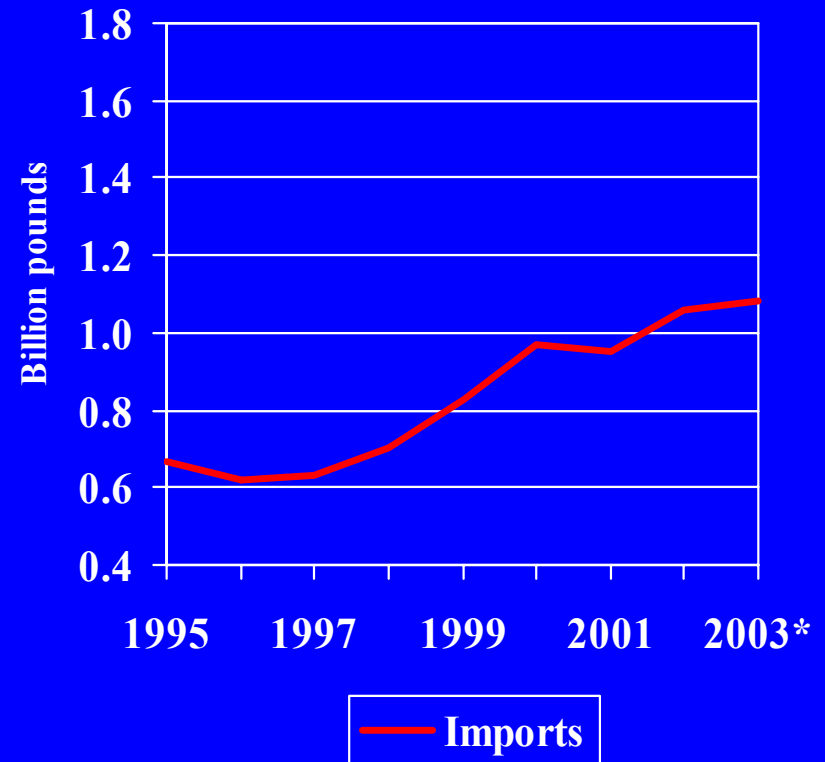


*Estimate

Pork Imports At Record Levels

- Pork imports in 2002 reached a record 1.07 billion pounds.
- Imports forecast to increase more slowly, to 1.08 billion pounds as Canadian production expected to slow.

Pork Trade

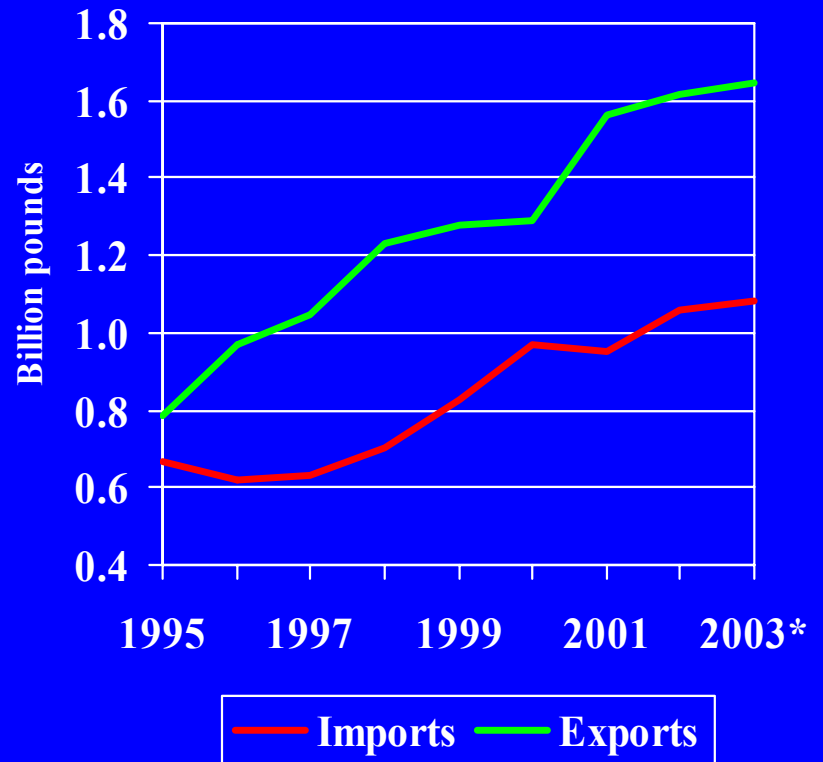


*Forecast

Pork Exports At Record Levels

- Pork imports in 2002 reached a record 1.07 billion pounds.
- Imports forecast to increase more slowly, to 1.08 billion pounds as Canadian production expected to slow.
- **Pork exports are forecast to rise slightly above the record 1.61 billion pounds shipped in 2002.**
- **Shipments expected to remain strong to Japan and Mexico.**

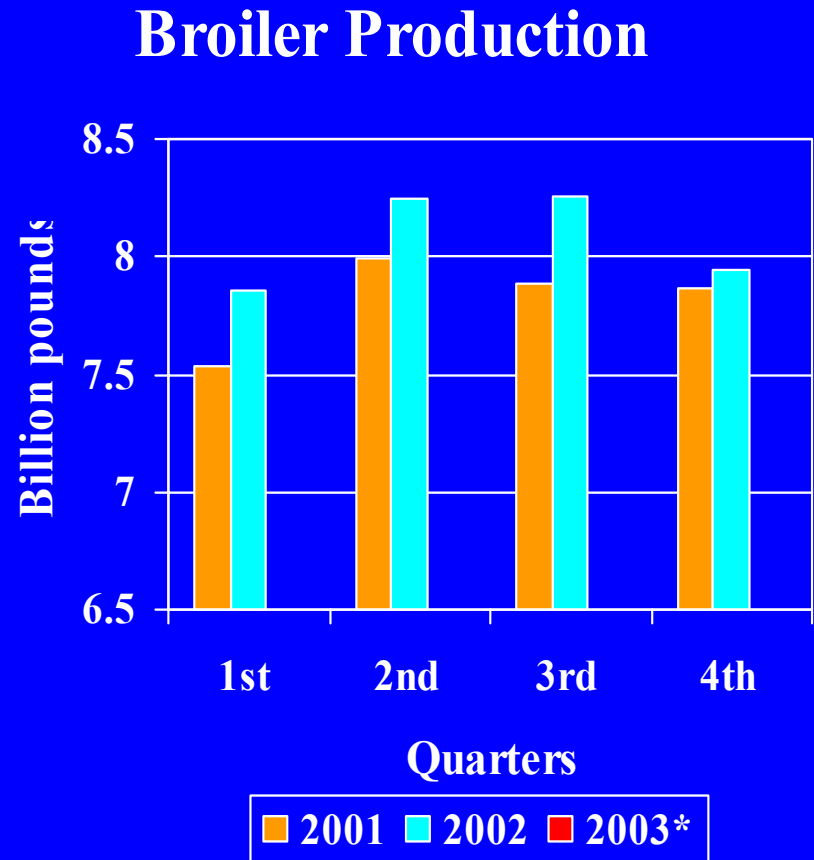
Pork Trade



*Forecast

2003 Broiler Production Growth Will Be Slowest Since Early 1970's

- 2002 production rose 3.3 percent to 32.3 billion pounds.
 - Weak broiler prices and higher grain prices discouraged fourth quarter production.

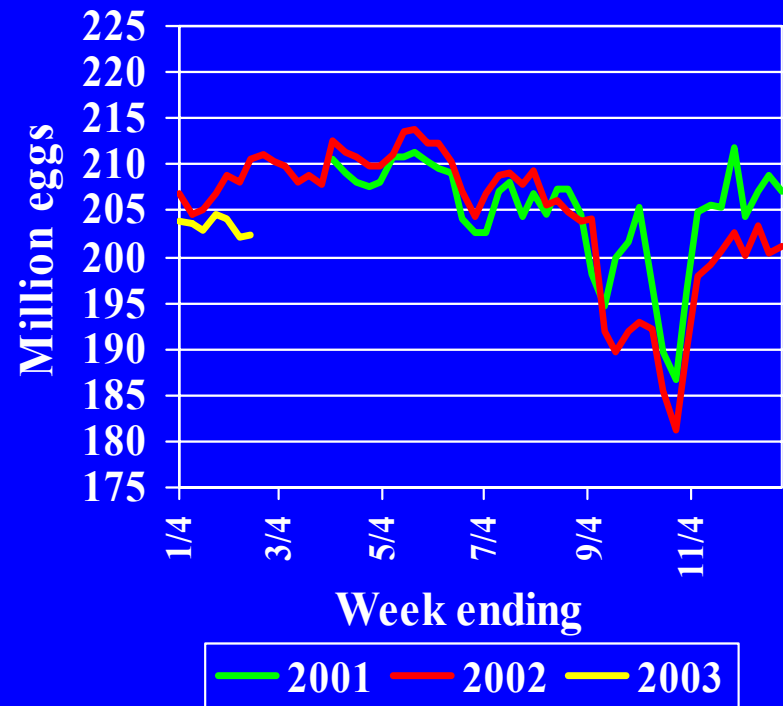


*Forecast

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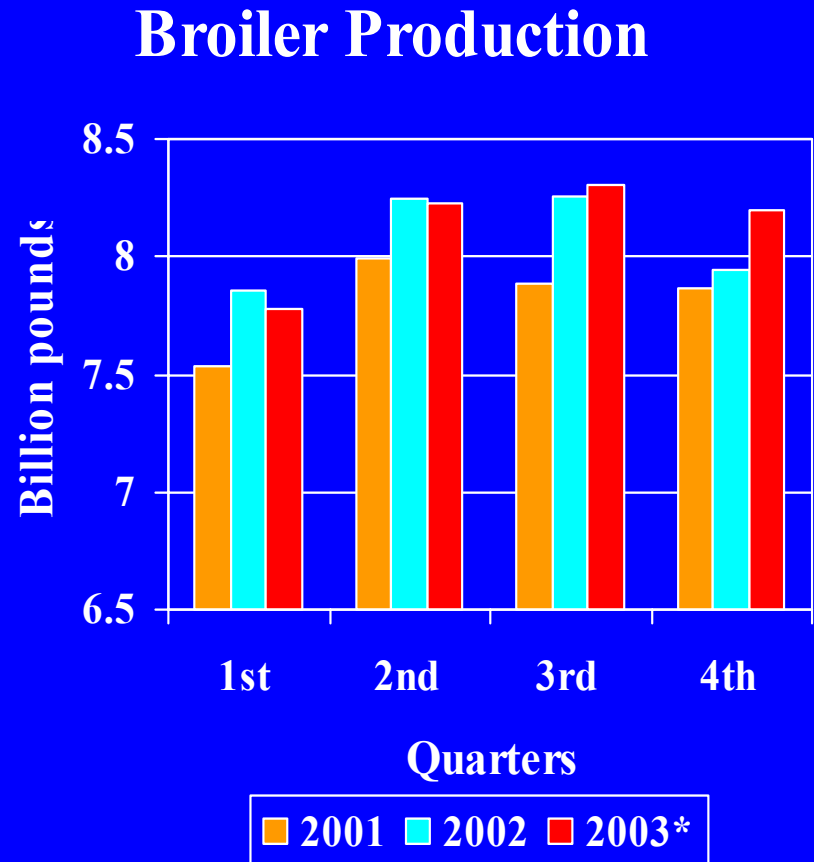
- 2002 production rose 3.3 percent to 32.3 billion pounds.
 - Weak broiler prices and higher grain prices discouraged fourth quarter production.
- Eggs set below year earlier since August.

19 State Eggs Set



2003 Broiler Production Growth Will Be Slowest Since Early 1970's

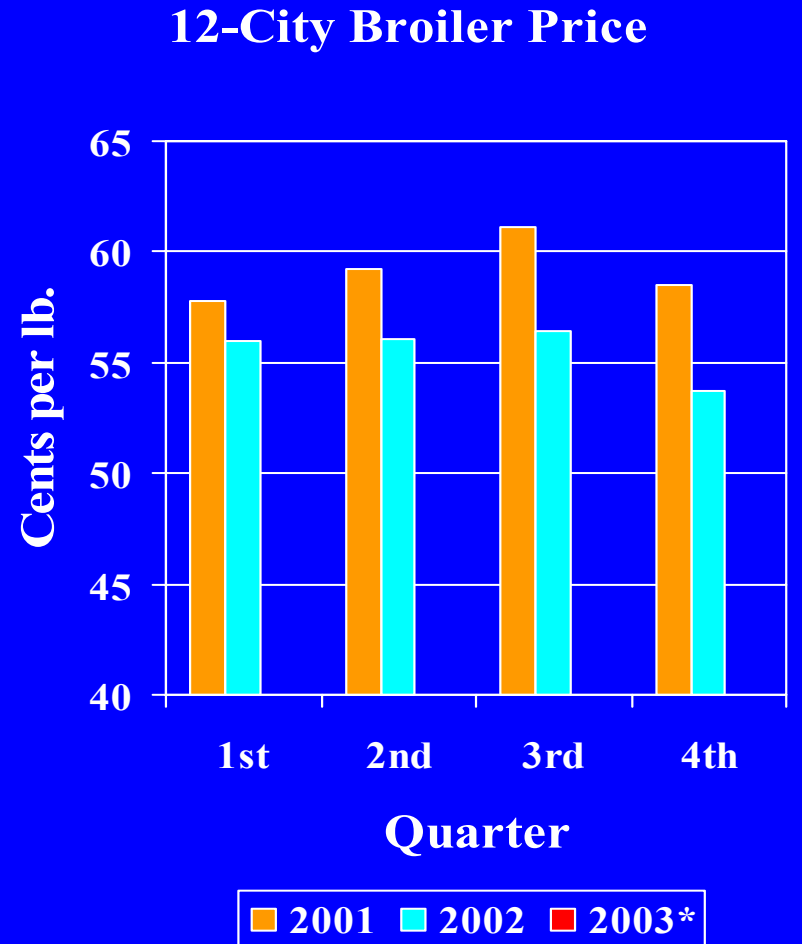
- 2002 production rose 3.3 percent to 32.3 billion pounds.
 - Weak broiler prices and higher grain prices discouraged fourth quarter production.
- Egg sets below year earlier since August.
- 2003 production will be 32.5 billion pounds.
 - Weight gains partly offsetting slaughter declines.
 - Price recovery may stimulate increased second half production.



*Forecast

Broiler Prices to Increase Slightly in 2003

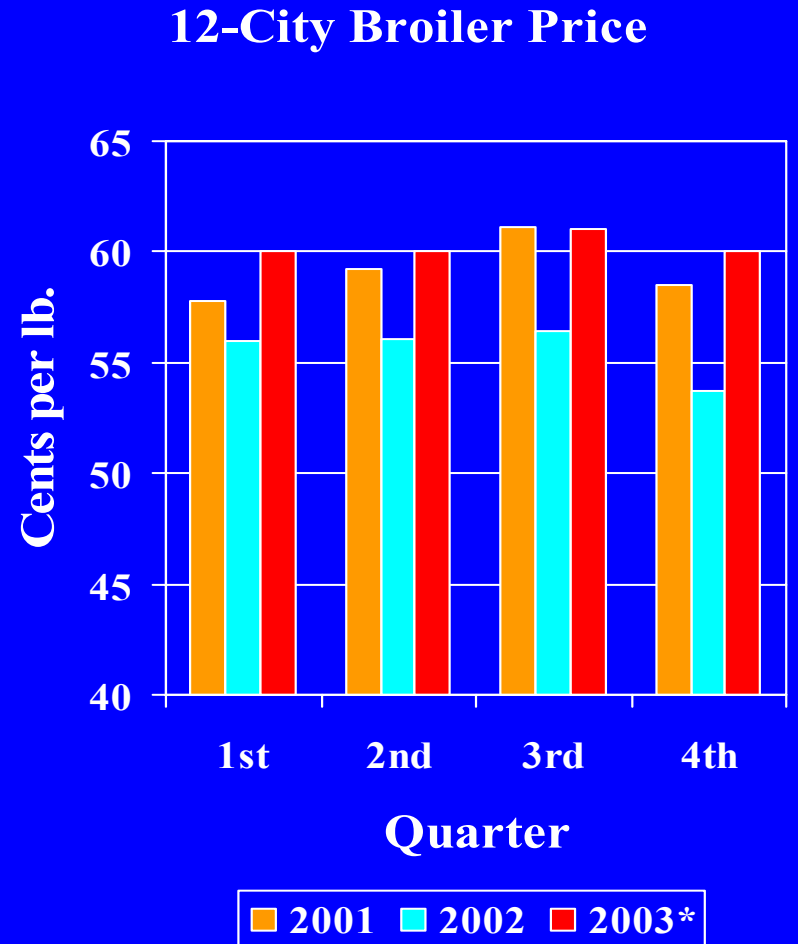
- Broiler prices declined about 3.5 cents per pound in 2002 as movement was sluggish and stocks built.



*Forecast

Broiler Prices to Increase Slightly in 2003

- Broiler prices declined about 3.5 cents per pound in 2002 as movement was sluggish and stocks built.
- Lower first half production is forecast to lift prices.
 - Additional support from lower red meat production in the second half.
- Prices in 2003 are forecast to average 58-62 cents per pound.

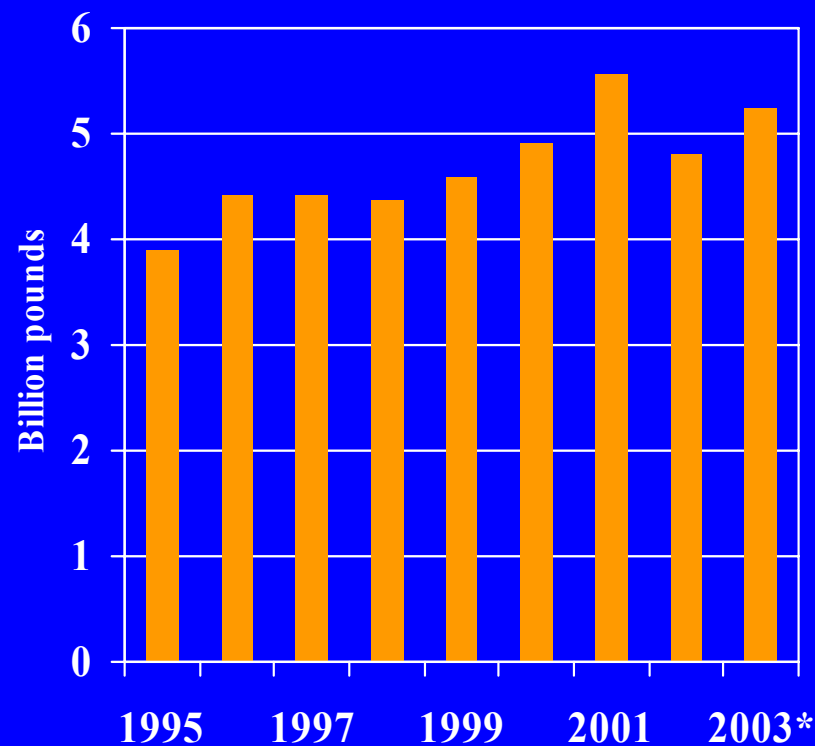


*Forecast

Broiler Exports to Grow Slowly in 2003

- Exports in 2002 fell 14 percent to 4.8 billion pounds.
 - Disease outbreaks caused trade disruptions.
 - Exports to Russia limited by certificate and inspection disputes.
 - Disputes with China limited trade.
- Resolution of these disputes should permit some growth in exports.
 - Russia instituted 1.05 mmt quota.
 - Mexico has imposed TRQ on leg quarters, thighs, and drumsticks.
 - China labeling rules being negotiated.
- Broiler exports in 2003 are forecast to increase 9 percent to 5.3 billion pounds.

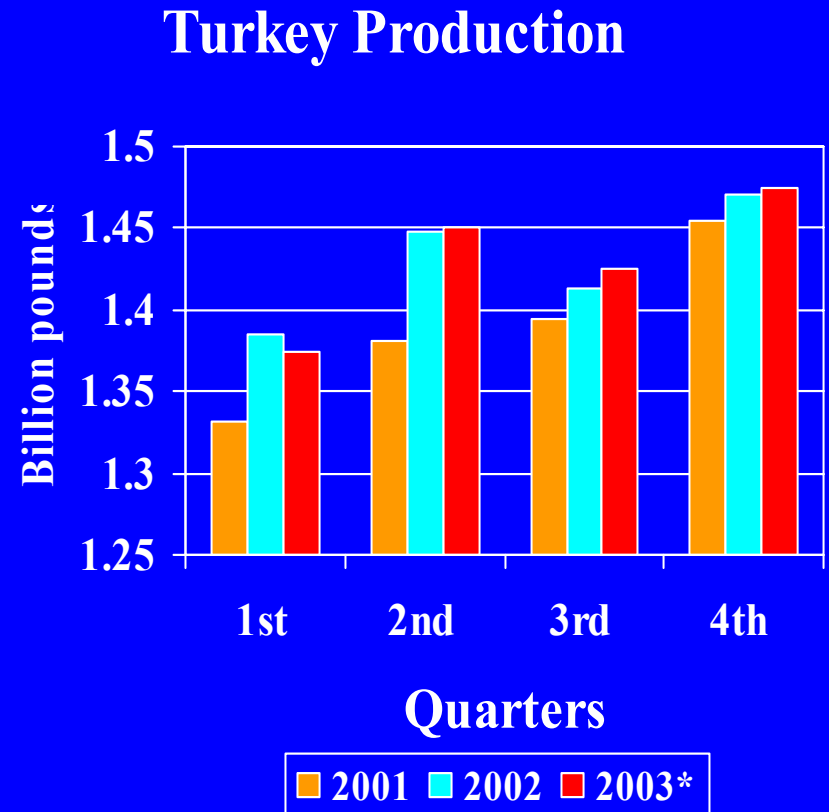
Broiler Exports



*Forecast

Turkey Production Unchanged in 2003

- First half 2002 production strong. Second half production slowed as returns weakened.
 - Disease outbreaks had relatively small aggregate impact on production.
- Weaker turkey prices and relatively high grain prices will slow growth in 2003.
- 2003 production will be virtually unchanged at 5.7 billion pounds.

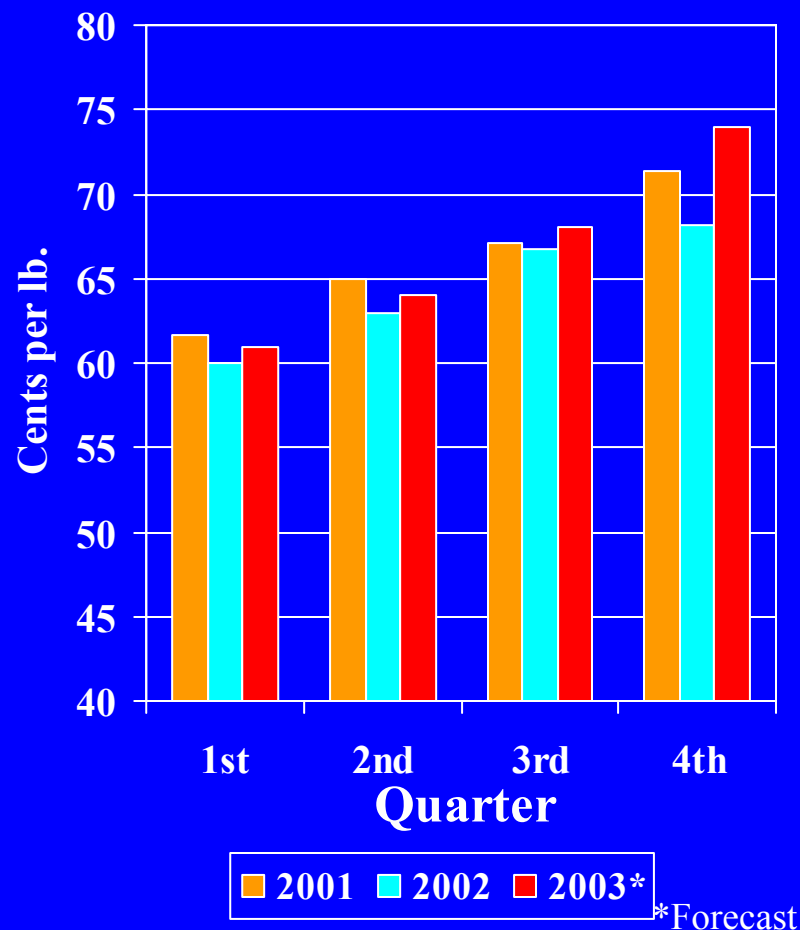


*Forecast

Turkey Prices to Strengthen in 2003

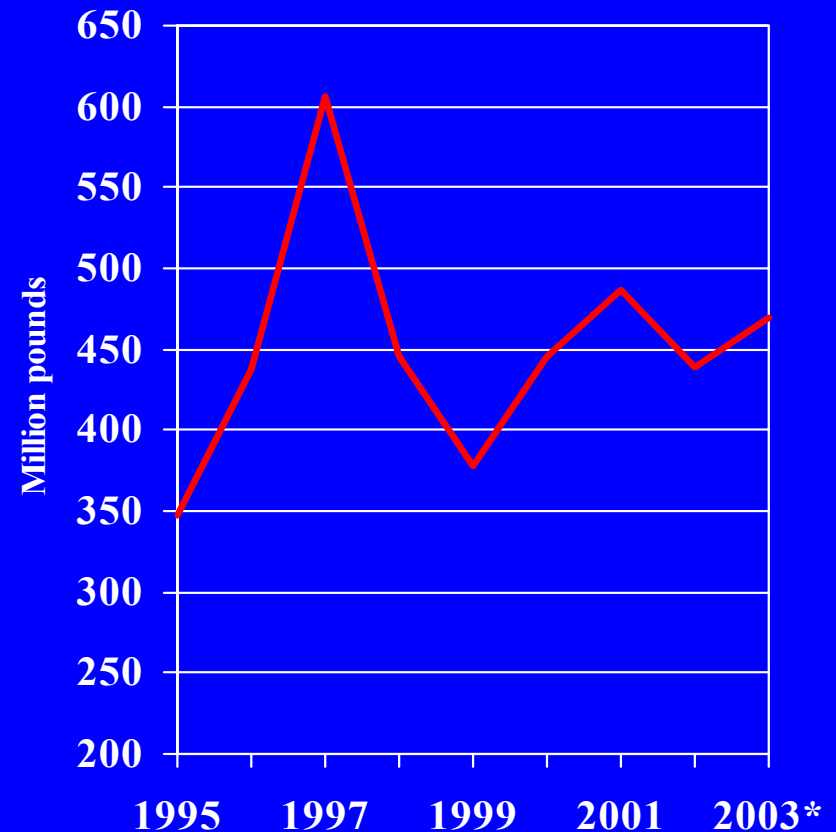
- Slower production growth will help support prices in 2003.
- Prices are forecast at 65-69 cents per pound, compared to 64.5 cents in 2003.
- During the second half of 2003, prices will strengthen more as supplies are limited.

Eastern Region Hen Price



Turkey Exports on the Rebound

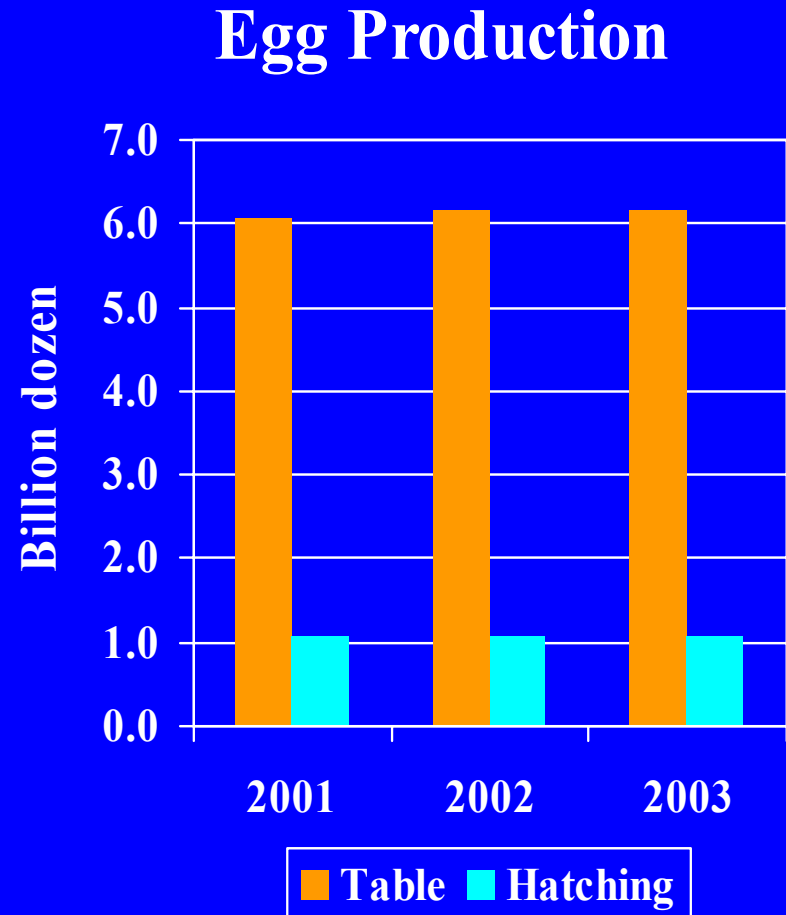
- Turkey exports in 2002 fell nearly 10 percent to 439 million pounds.
 - Disease outbreaks caused disruptions in exports to most markets.
- Exports in 2003 are expected to increase about 7 percent.
 - Mexico remains the major market, taking about 45 percent of U.S. turkey exports.
 - Russian quota policy will likely favor broiler imports over turkey.



*Forecast

Egg Production to be Unchanged in 2003

- Egg production forecast to be virtually unchanged at 7.2 billion dozen, as returns were weak in 2002.
- Aggregate impact of Exotic Newcastle Disease limited.
 - Flocks destroyed in California represent less than 1 percent of U.S. flock.
- Table egg production expanded 1 percent in 2002, and will be unchanged in 2003.
- Hatching egg production expected to remain about 1.07 billion dozen for third straight year, as broiler production slows.

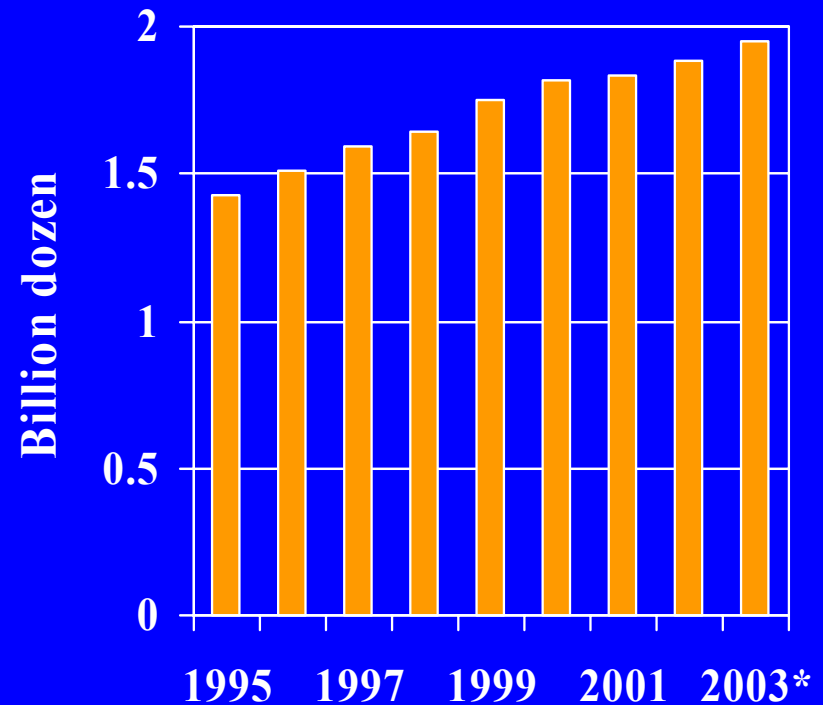


*Forecast

Eggs Broken Continues to Rise

- Eggs broken are forecast to rise to 1.95 billion dozen in 2003.
- Upward trend in eggs broken increases as eggs are consumed as an ingredient in products, e.g., baked goods.
- Demand for pasteurized eggs products is strong, especially in food service.

Eggs Broken

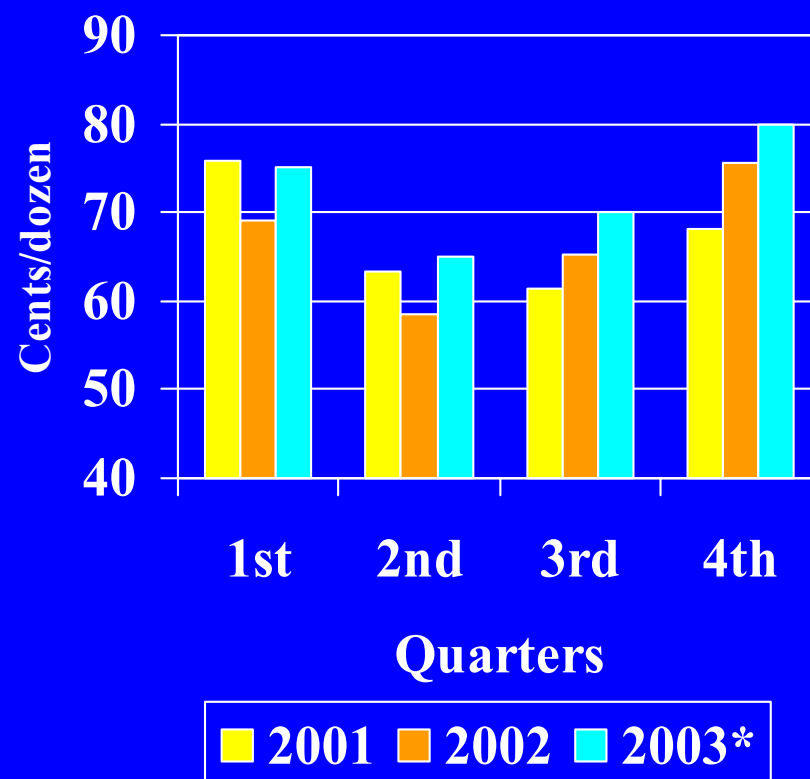


*Forecast

Egg Prices Forecast to Increase in 2003

- Prices are expected to reach 71-74 cents per dozen in 2003.
- Little production growth and rising use should boost prices back up highest prices since 1998.

Grade A, Large, NY



*Forecast

Additional 2003 Forecast Information is Available

- World Agricultural Supply and Demand Estimates
 - www.usda.gov/oce/waob
- Livestock, Dairy, and Poultry Situation and Outlook
 - <http://www.ers.usda.gov/publications/ldp/>
- Livestock and Poultry: World Markets and Trade
 - www.fas.usda.gov/dlp/dlp.html